

Hospitality Trends 2015

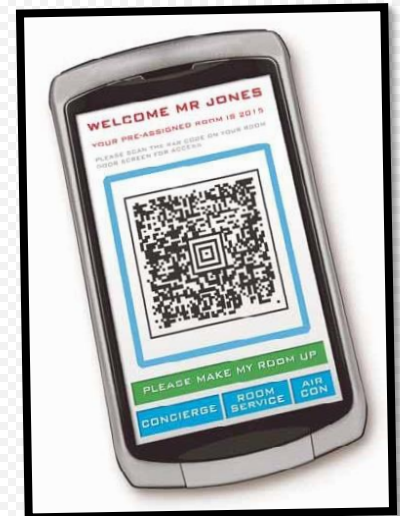
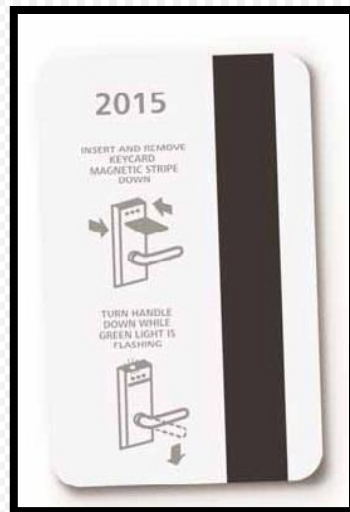


New rules of the Game

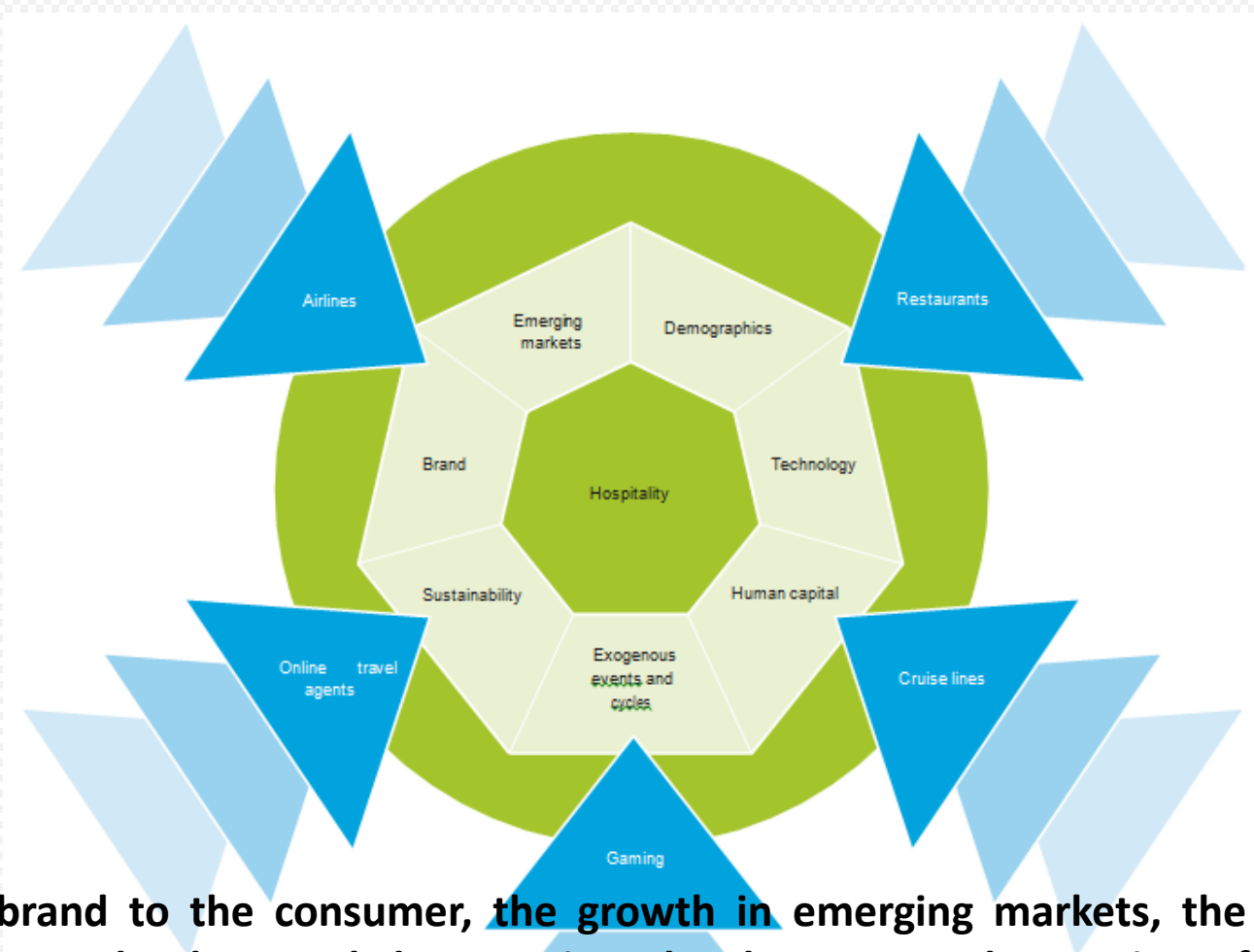
1. **'Game-changing' approach to loyalty programmes** - recognition to reward is preferred and a direct emotional appeal and the need to feel 'special' can drive loyalty
2. **Understand different generational needs** - Boomers are a key segment hence should be targeted with 'experiential' life-enhancing products, designed to appeal to their 'forever young' attitudes
3. **Embrace the influence of social media** - Engage consumers to build awareness and community, increase web traffic and search rankings, and draws potential new guests
4. **Increasing use of mobile smart phone technology** – This will enable to create a greater degree of loyalty, by ensuring the services fit the quick response needs of today's 'on-the-move' consumer
5. **Investing in talent management** – Develop innovative talent programmes and re-design operating models to effectively execute the talent strategy
6. **360-degree view of sustainability** - Develop an environmentally responsible brand as price, quality, brand and convenience will continue to drive consumer spending, but sustainability will increasingly be part of the decision-making process

New rules of the Game

7. **Upgrade to 'self-healing' technology** - Develop better integrated IT systems and shared services
8. **R&D focus** - Develop and invest in research and development for staying ahead of the consumer's needs and desires
9. **Reinforcing data security** - Organisation has to take all the necessary safeguards to protect guests and the reputation of the brand
10. **Yield management tools will improve cost management** – Implement cost management systems driven by Artificial Intelligence-based technology
11. **Crisis Management 'Prepare for the Black Swan'** - Reconfigure each crisis as an opportunity to reinforce brand values and enhance the consumer relationship



The hospitality industry



The value of brand to the consumer, the growth in emerging markets, the importance of consumer-facing technology and the sourcing, development and retention of human capital have helped shape the hospitality industry over the past five years. These, along with the growing importance of the sustainability agenda and exogenous events and cycles are the key trends that will define success in the market place in 2015. Our report explores in detail these key trends, which impact both the hospitality industry, as well as the other sectors which make up the wider travel experience.

Emerging Markets

Key findings

- By 2015, China and India will each have absolute year-on-year tourism growth equal to or greater than the UK, France or Japan.
- Penetration of the domestic travel markets in China and India will yield the greatest long-term returns for international brands.
- Local brands still dominate emerging market mid-market and budget sectors.
- Across India the government has identified a shortage of around 150,000 rooms, with most of the under-supply occurring in the budget sector
- Both China and India are at risk of an over-supply of luxury hotels in key tourism cities, at least in the short term.



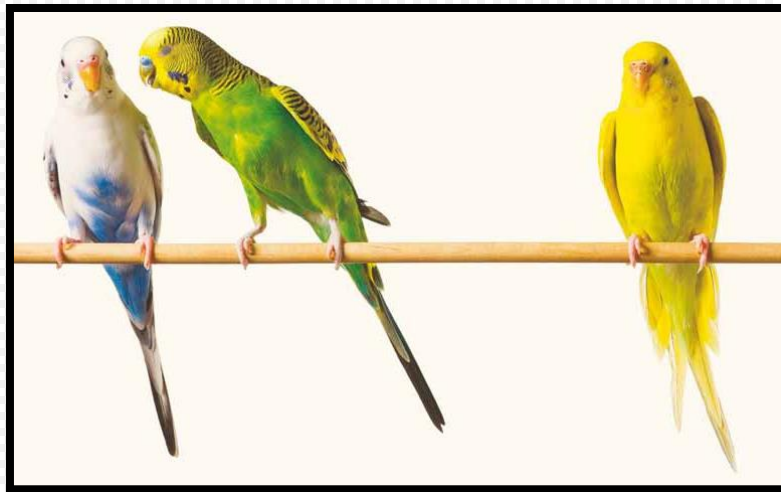
Emerging Markets

- The strength of underlying economic development and prosperity in China and India will effect the rise of business travel; whilst the US business travel market is expected to stagnate over the next five years, growing at 0.3 per cent per year, China's business travel spending will grow 6.5 per cent annually to 2013
- Middle classes in the emerging markets need to be offered competitively priced **hospitality**, tempting them away from the unbranded guesthouses that currently have the lion's share of the market

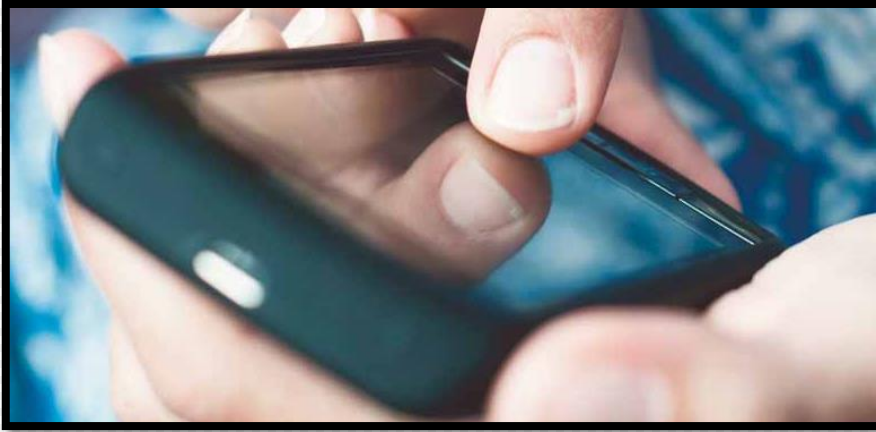


Brand : Differentiate to survive

- **Brand is likely to become a more important choice factor** for luxury travellers as key locations become increasingly saturated
- **Social media offers opportunities to build brand awareness and community**, but can highlight brand inconsistency which could be detrimental
- **The 'softer' brand attributes such as decor, type of bathroom amenities and service style are often of less value to the consumer and can have less impact on hotel choice**
- Brands that can offer something **truly unique or compelling are likely to win** market share and the ability to innovate will be crucial for success
- We believe that much **greater differentiation will be needed over the next five years to capture the loyalty of the luxury traveller**
- **Lifestyle brands try to create an emotional connection with their guests**



Technology : Time to play catch up



- Ensure that their services fit the consumer's needs more than the offerings of their competitors by launching an iPhone application to enable guests to manage their bookings
- websites are mobile-friendly in order to maximise the benefits of mobile technology
- include interactive maps/GPS, reward programmes for quick mobile bookers, confirmation texts and pre-arrival texts

Airlines continue to lead the way in technology:

- Online check-in from mobile devices.
- Selecting seats and in-flight meals online.
- Printing own boarding cards.
- Selecting baggage options online.

Most of this was established technology for airlines when we issued our Hospitality 2010 report five years ago and yet hotels still do not offer similar services to guests.

Back office systems

- 'Food wastage revolution' - Sustainability is moving up the hospitality agenda. All businesses are coming under mounting pressure to consider the environment in their everyday activities
- By 2015, AI-based technologies will be used to forecast food and beverage demand with a higher degree of accuracy, enabling hoteliers to reduce food wastage and manage labour costs more efficiently
- 'Self-healing' technology – significant increase in the role of 'self-healing' technology across the industry



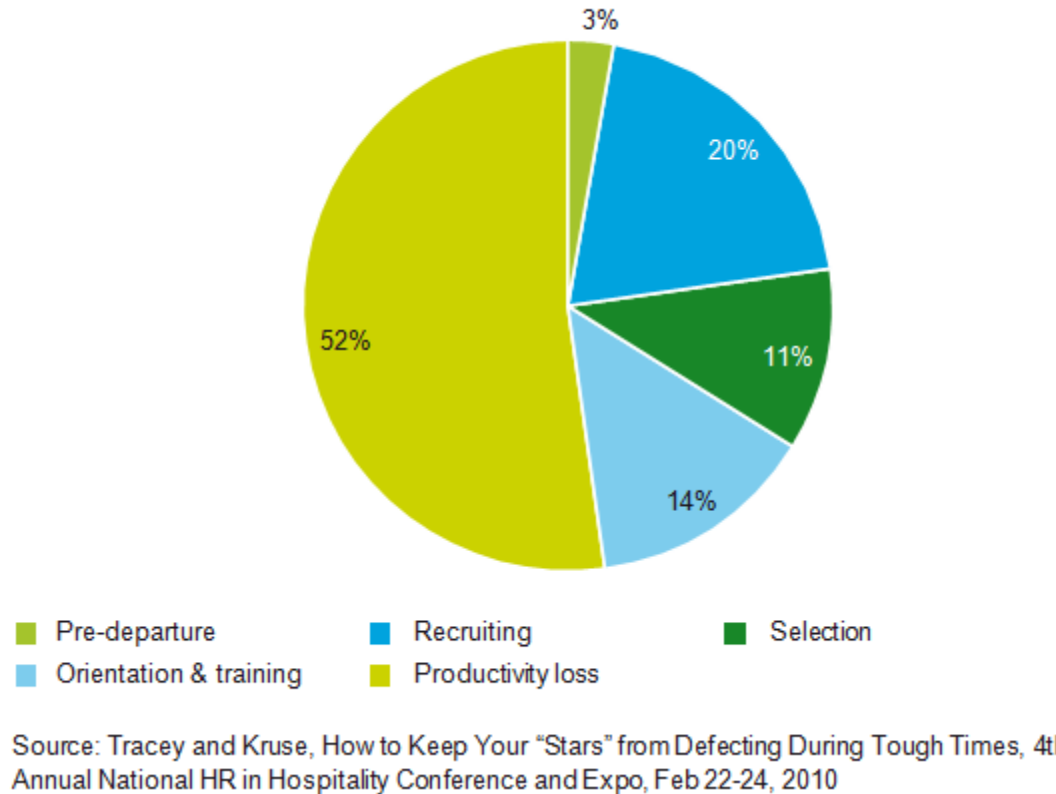
Hotel room of the future

- Alarm clocks to wake up guests by increasing the light in the room, rather than emitting a noise
- Floors to have built in sensors to light the way for guests, to avoid the midnight stumble to the bathroom
- Televisions may work via voice recognition to answer any questions guests may have, avoiding the obligatory call to reception for service offerings
- Instead of keys, doors may be unlocked via mobile phone interface
- Rooms are likely to be fitted with iPod docks, broadband, laptop docking and universal phone chargers
- Guests should be able to text or email their exact preferences in advance through their mobile device so that rooms are set up to their requirements upon arrival. They could be able to request a room on their preferred floor, temperature and lighting set to their required specification, music chosen for a particular ambience, a cold drink waiting and perhaps even a hot bath already run for them.



Human Capital

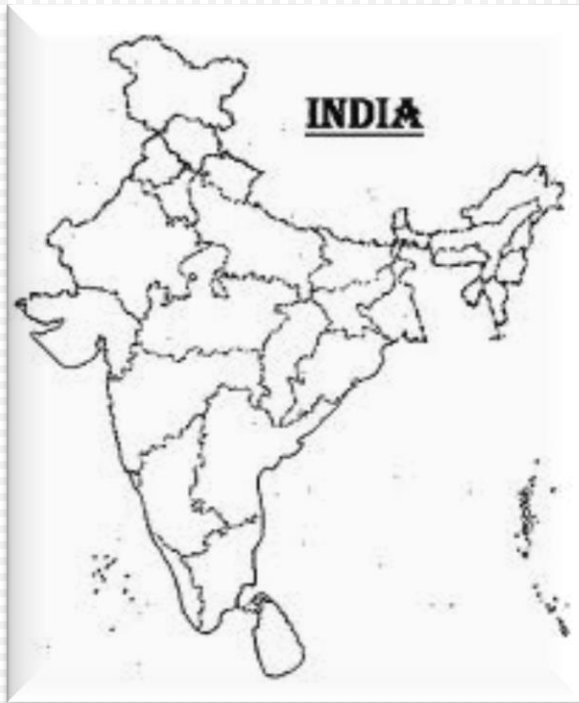
Figure 9. True cost of turnover



- High employee engagement is correlated with customer satisfaction customer retention and corporate performance
- Proactively evaluate their talent management programmes
- Develop innovative talent programmes and solutions aimed at reducing employee turnover as well as attracting and retaining top talent

Emerging Markets

- The new middle class opens up the door for the development of mid-market, budget properties in virtually virgin territories
- When considering expansion in emerging markets: 1) identify practical opportunities, 2) understand consumers, and 3) anticipate challenges

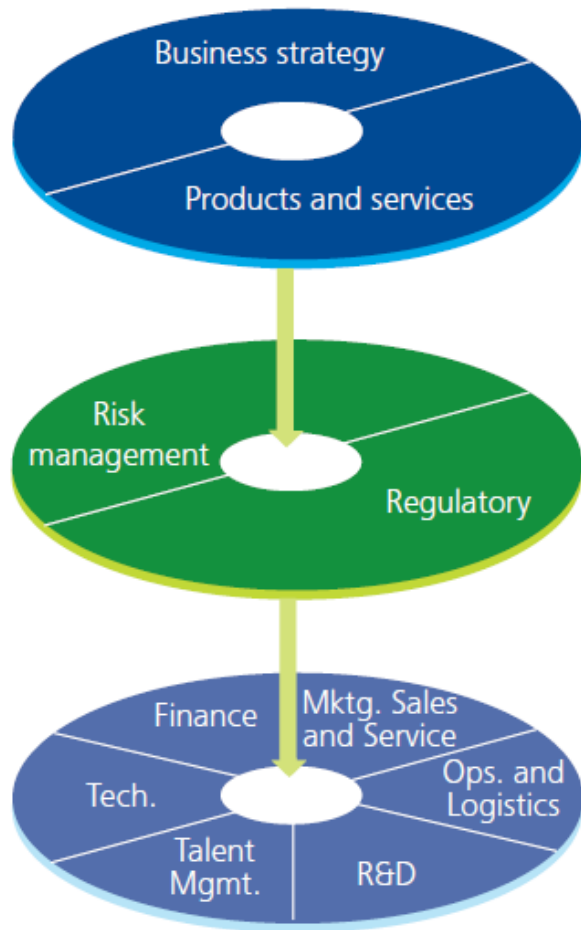


Turning consumers into customers

- 49 per cent of the Chinese public believes that branded goods are better than nonbranded goods, as compared to only 16 per cent of Americans
- In China, Internet-initiated travel is more than \$122.4 million annually,20 with a huge potential for growth.
- In 2010, India saw a 50 per cent jump in visitors to travel sites compared to one year prior. Now, 37 per cent of Internet users in India are accessing travel websites
- “How do we measure value? Which customers drive value creation?”



Deloitte's emerging markets framework



Value creation

Companies first use capabilities within these dimensions to set the approach for emerging market growth and the go-to-market strategy

Value protection

Once companies have selected the countries for sales focus, a critical requirement is understanding how local regulations and market-specific risks will influence how the company operates in country

Strong regulatory and risk management capabilities are essential to navigate the risks and challenges associated with emerging markets

Value enablement

Key consumer-facing and back-office capabilities are determined once the business, go-to-market, and country strategies are developed

■ Value creation ■ Value protection ■ Value enablement

Sustainability and luxury



- As consumers come to care about their collective impact on the environment, they increasingly choose to do business with those companies that can deliver value in a responsible and resource-conscious manner
- economic pressures continue to prompt a pursuit of “bigger bang for the buck” value, especially among middle-class consumers, the bread and butter of the business
- 2030, the global middle class is expected to triple.

Who cares about sustainability?

- Deloitte found that consumers who characterized themselves as “green” tend to be “somewhat older, have more income than average, have fewer people in their household, and are better educated than average” — in short they’re baby boomers (born 1946-1964). Baby Boomers are also expected to have the greatest impact on the hospitality industry in the near term
- Gen X (born 1965-1979) are most likely to work and travel for companies that value sustainable partners
- Gen Y (born 1980-1994) are most likely to pay extra to stay at a green establishment
- Eco-conscious consumer has a value hierarchy that includes price, quality, and convenience
- In a crowded marketplace sector like hospitality, leveraging such a differentiator could make the difference between being a market leader or follower

Green Consumerism

- Across its \$10 billion supply chain a major hotel brand has asked vendors for products, such as green key cards, “room-ready” towels, recycled pens, low volatile organic compound (VOC) paint, biodegradable laundry bags, green laundry detergent, low-energy light bulbs, low environmental impact carpet, water-efficient toilets and shower heads, and EcoSmart™ pillows
- Companies to include consumers in their sustainability programs
- New ROI calculations would need to weigh quantitative costs against qualitative benefits, such as customer loyalty
- When a shopper consciously selects a green product, the implied personal contract of social responsibility makes it less likely that he or she will change that choice in the future
- Company can position itself as “the place” where guests can remain true to their values, committed to socially and environmentally responsible behaviour even when away from home, which can strengthen its brand identity and increase customer loyalty

Green Consumerism

- Engaging consumers begins with an understanding of their behavioural drivers
- at the point of sale, a customer's inclination to buy green is often inhibited by
 - 1) lack of information on how to act,
 - 2) confusion about priorities, or
 - 3) a limited understanding of the costs and benefits of living more sustainably
- Hence, specifically communicating a green value proposition is essential to generating awareness and influencing purchasing
- A hospitality provider embed sustainability in the processes and practices of its business ideally, by striking the perfect balance between guests (whose actions are recognized, recorded, and rewarded) and supply chain partners (who provide the appropriate products and services).
- Essentially, when the forces are of equal strength, the system is dynamic and responsive

Using social media strategically

- Last year, 51 per cent of those surveyed purchased a product based on an online recommendation
- Sixty-five per cent of consumers surveyed frequently/occasionally visit websites as a result of someone's online recommendation
- In 2010, among online US leisure travellers, 72 per cent participated in social media at least once a month. This is almost 100 million people — a 24 per cent increase in participation since 2008



Trends and Issues Shaping Tourism and Hospitality Development

- Lifestyles
- Branding
- Food production and supply
- Technology
- Legislation and regulations

Hospitality Trends

- Location: restaurants and bars will be available everywhere, plus a few exceptional places being 'destination' restaurants
 - Bars in Dublin, Ireland
 - Meson de Candido, Spain

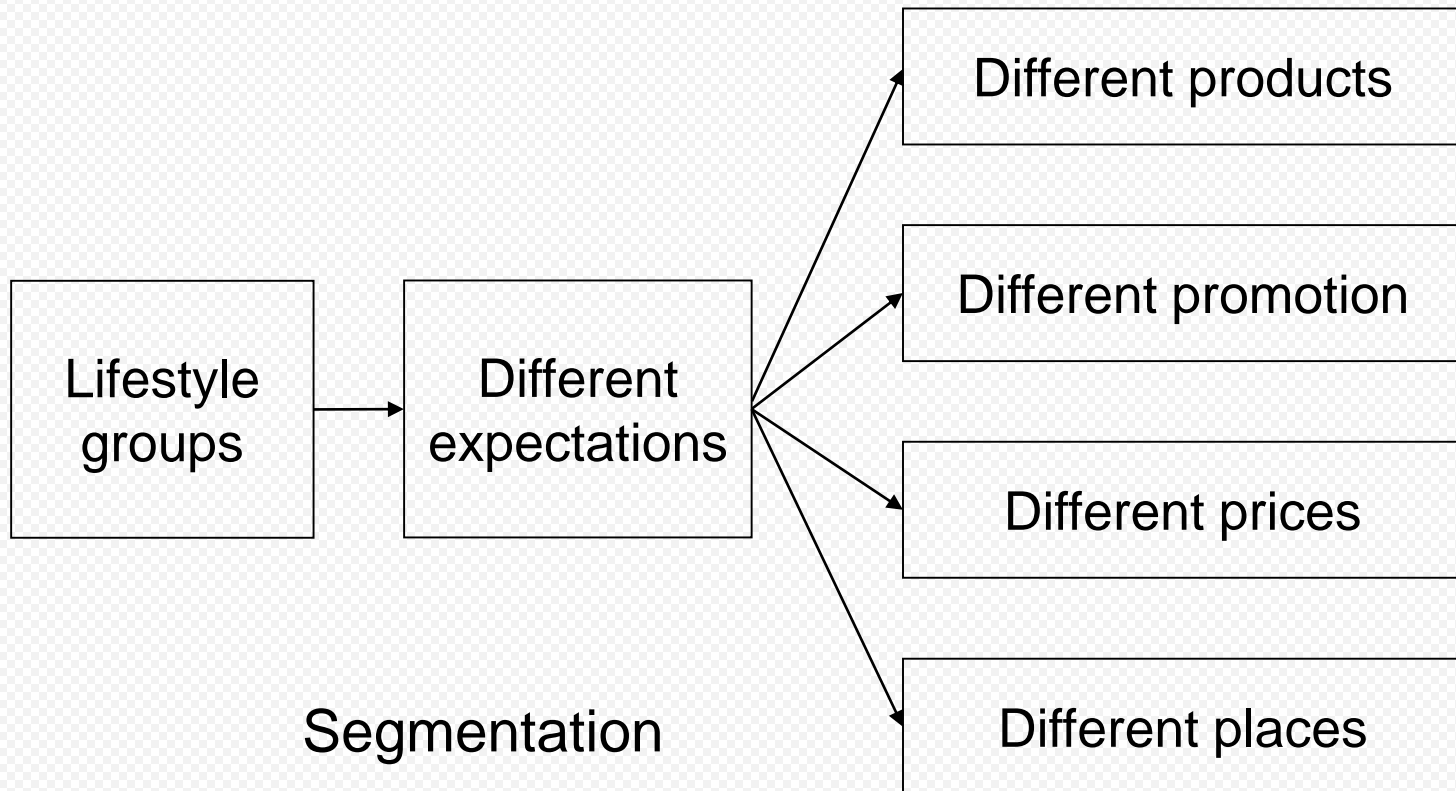
- Hospitality products are designed for market segments based on lifestyle
 - Family restaurants, sports bars and boutique hotels

- Branding
 - It is a key factor for companies to stand out from the competitors
- Trends in hospitality process design
 - Production lining: services are organized on a production-line basis
 - Decoupling: separating back-of-house from front-of-house activity in place and time
 - Customer participation: customers help themselves for service

- Sustainability
 - Concerned about the environment
- Security and assets
 - Customers expect that hotels are safe places for the guests and their property

A. Lifestyles

- Lifestyle and segmentation



Your Generation?

- You consider '80s music to be oldies
- You have a cell phone but no land line
- One of your first favourite movies was 'Star Wars' or 'E.T.'
- You've used floppy computer discs but consider them old-fashioned
- You were fascinated by Mickey Mouse and Donald Duck
- Cigarette ads on TV once seemed normal

Lifestyle cohorts

- Baby boomers (born between 1946 and 1964)
 - The working ones have less leisure time than other adults
 - Continue to travel and go out
 - Treating work and personal sacrifice as keys to success
 - Occupied with materialistic possessions and money
 - Skeptical about advertising
 - Prefer “classic” comfort foods
 - They seek new places to visit that often are off the beaten path
 - They avoid organized tours

- Generation X (born between 1965 & 1979)
 - Embrace **change** and dislike stability
 - Emphasize **work-home balance**
 - Like **material possessions** and **shopping**
 - Associate good foods with certain **brands**
 - Those with children are **family travellers**. They often stay with friends and relatives when they leave home, spending less on hotel rooms. They like “packages” that are reasonably priced and convenient.

- Generation Y (born between 1980 & 1995/2000)
 - Spend **impulsively**
 - **Technologically** savvy
 - Impatient and requiring **immediate** gratification
 - Want **fast** food, but also **healthier** foods
 - Fans for **brands** and **fashions**

- Implications

- As **new lifestyle groups** emerge, hospitality products will be developed to meet the tastes of different groups.
 - More boutique hotels providing unique experiences
- The **baby boomer market** is important in terms of size, their propensity to travel and the willingness to spend.

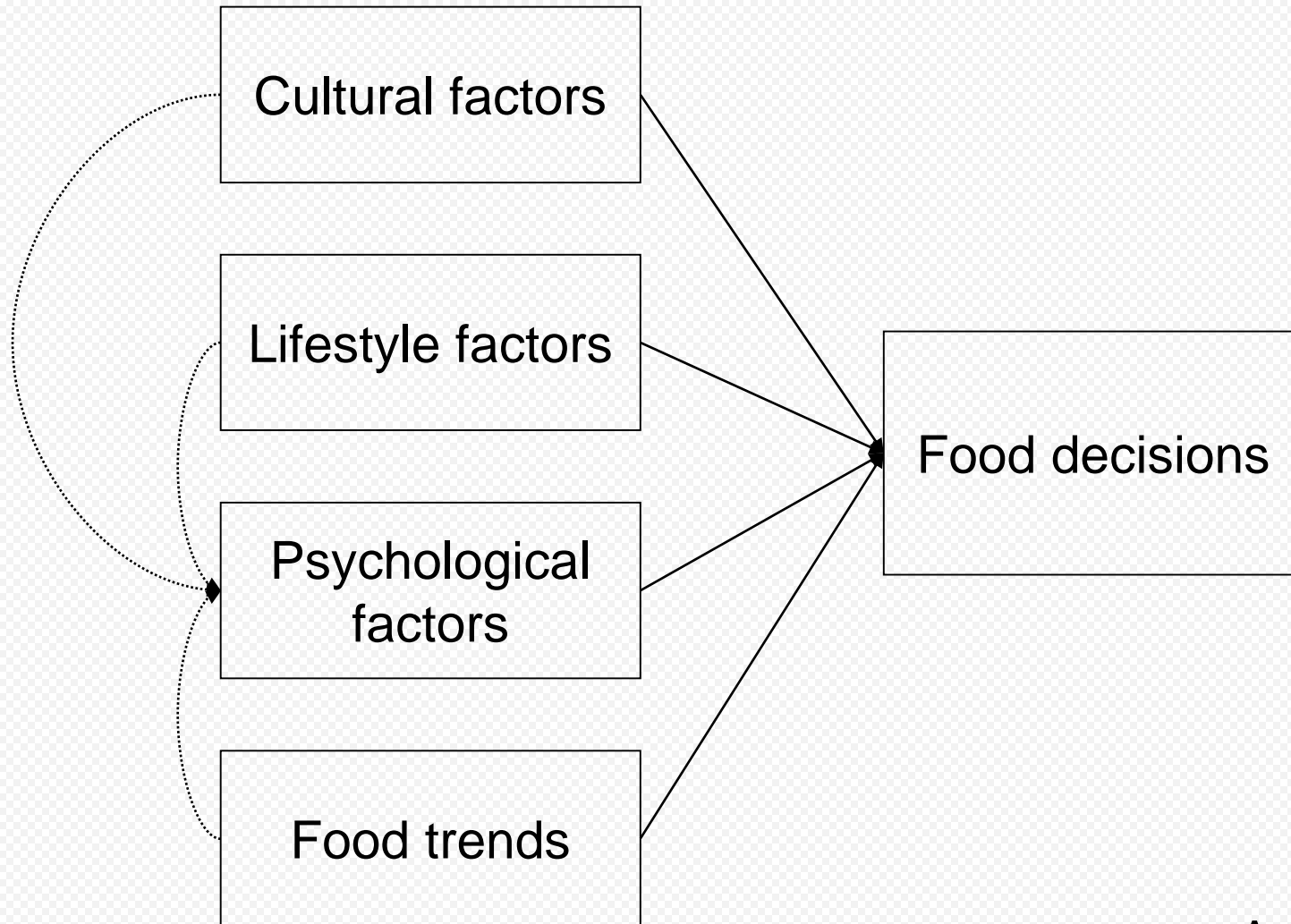
Socio-economic Types

- Budget travellers
 - Average income, fewer household assets, average age, but large in number
 - They prefer roadside or budget motels and family restaurants chains
 - They look at value added features, such as kids sleep free at hotels, free in-room television, discount at restaurants etc.

- Adventure travellers
 - They have household income and personal assets above the norm
 - They take more domestic and international travel trips than the average
 - They want to explore **new** places and meet **new** and **different** kinds of people
 - **Soft** adventure group wants more services and spend more
 - **Hard** adventure types are likely to go to places without hotels and restaurants

- Luxury travellers
 - They are **wealthy** and take the **most** trips and **longer** trips
 - They use **travel agents**
 - They are **NOT** old
 - They need to get rid of stress and seek new experiences
 - They look for **excellent service** and follow through
 - But this is a **small market**

Factors Influencing What People Eat



Asp (1999)

- Food trends
 - Emerging food trends that emphasize foods that are
 - Fresh
 - Convenient
 - Ethnic foods with distinctive ingredients, flavors and spices
 - Fusion foods
 - Prepared home meal replacement, more food mixtures particularly those with less meat
 - More vegetarian meals
 - Labelled natural or organic
 - Easily available or bought
 - Promoting health
 - Physical performance-enhancing energy foods

B. Brand

- Brand = the name, associated with one or more items in the product line, which is used to identify the **source** or **character** of the item(s)

Kotler

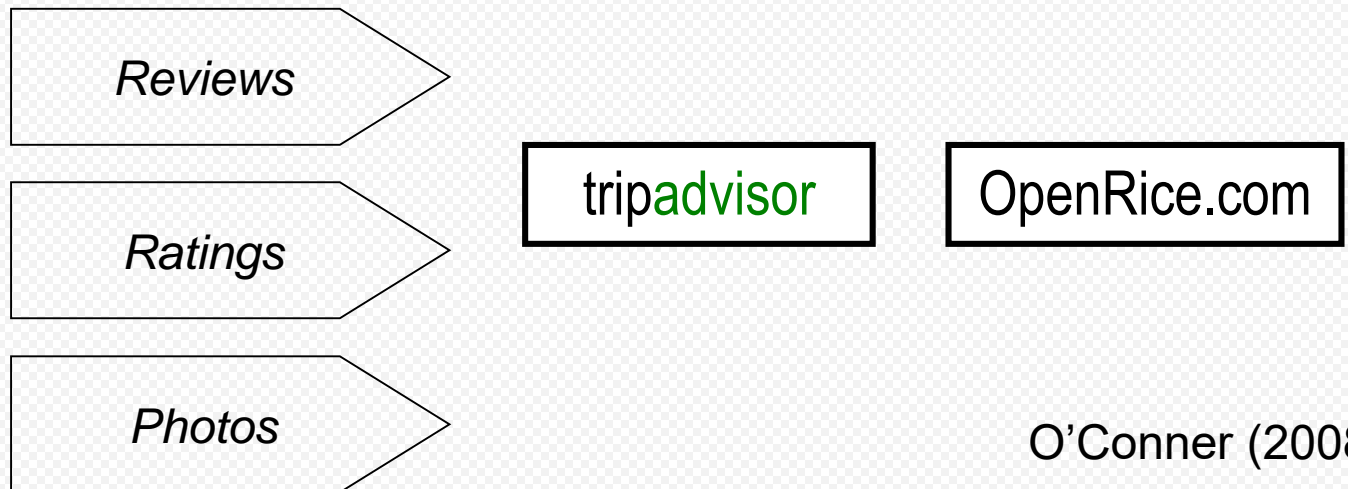
- Brand associations
 - ⇒ facilitate memory retrieval
 - ⇒ attitudes / feeling
 - ⇒ credibility and confidence
 - ⇒ differentiate/position
 - ⇒ basis for extension

- The brands of large and international hospitality firms reassure consumers that the standards and the system will be the **same everywhere**
 - Hilton, Hyatt, Toyoko Inn
 - Starbucks, McDonald's

- However, foodservice chains are less reliant on tourists than on the local population and may adapt their operation to reflect local tastes
- The growth of the Internet has enabled small hotels and restaurants to promote themselves effectively in competition with big brands

D. Technology

- Information Communication Technologies / Web 2.0 have great impact on the marketing of restaurants
- Tripadvisor and OpenRice.com are some of the famous **platform** for community members to share their **reviews**



O'Conner (2008)

Groupon: Collective Buying Power

- Groupon started in November 2008 in Chicago
- It features discounts of 50-90% off great restaurants and dining

- Good business for the restaurants?
 - Groupon customers seldom spend more.
 - These customers also seldom come back unless with another groupon.
 - Redemption seems unrestricted by anything other than a time limit on 'the deal'. Whether a restaurant is equipped to deal with ALL people redeeming their 50% off Groupons within a short time is questionable

E. Legislation and Regulation

- Non-smoking legislation
 - Smoking (Public Health) Ordinance (Hong Kong)
 - Hong Kong (2007), China (2006; May 2011), France (2008), Spain (2011)
- Smoke-free restaurants and bars reduce exposure to tobacco smoke toxins among hospitality workers and patrons

- According to a review, all of the best designed studies report **no impact or a positive impact** of smoke-free restaurant and bar laws on sales or employment.
- But studies funded by the bar and restaurant associations and tobacco companies often find that smoking legislation has a **negative effect** on restaurant and bar profits

- Dutiable Commodities (Liquor) Regulations (Cap. 109B)
 - No licensee shall permit any person under the age of 18 years to drink any intoxicating liquor on any licensed premises.
- In US, research shows young people begin to drink at 11 for boys and at 13 for girls. Youth that begin drinking prior to age 15 are 40% more likely to become alcoholics.

- Prevention of Bribery Ordinance

參閱「食肆廚房職員疑貪污被廉署起訴」

資料來源:星島日報 2008 年1月16日

Corporate Social Responsibility

- A corporation may be held socially and ethically **accountable** by an expansive array of **stakeholders** such as customers, employees, governments, communities, NGOs, investors, supply chain members, unions, regulators and media.

END